

079 - INTERNAL AUDIT

Operational Summary

Mission:

The mission of the Internal Audit Department (IAD) is to provide highly reliable, independent, objective evaluations and business and financial advisory services to the Board of Supervisors and County management to assist them with their important business and financial decisions, and to protect and safeguard the County's resources and assets.

Strategic Goals:

- Assist the Board of Supervisors and County management in ensuring the County's assets and resources are safeguarded; the County's accounting and financial reporting is timely and accurate, the County's management has timely information and critical analysis for its business and economic decisions.
- Provide professional attestation, assurance and confidence to our clientele on the County's internal controls, accounting records and its financial and business operations through our published audit reports and reviews.

Key Outcome Indicators:

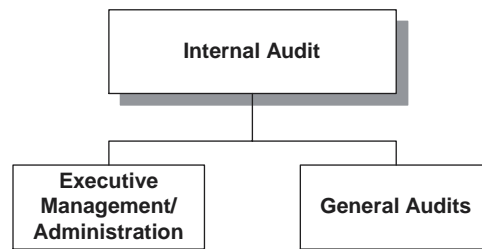
Performance Measure	2003 Business Plan Results	2004 Business Plan Target	How are we doing?
DEFALCATIONS OF COUNTY RESOURCES. What: Misappropriation of County funds and cash losses. Why: Misappropriation of funds bring on bad publicity and weaken public confidence in County operations.	This is a new indicator.	The County will not have misappropriation of funds or cash losses exceeding \$50,000.	The County did not have a misappropriation of funds or cash losses exceeding \$50,000 last year.
USEFULNESS OF OUR REPORTS AND CLIENT SATISFACTION. What: IAD performs audits that are helpful to clients. Why: Lets us know we are adding value and fulfilling a need.	This is a new indicator.	70% of clients report the audits are helpful.	Last year a high percentage of clients reported they received information that was helpful to them in safeguarding the County's assets and making business decisions.

FY 2003-2004 Key Project Accomplishments:

- During 2003, Internal Audit completed all audit goals for our core audit activity in departmental control reviews, attestation services and mandates, information technology, control self-assessment, and compliance. We also performed eight special request in the following departments: Planning Development Services Department, County Executive Office, Health Care Agency, Public Administrator/Public Guardian, and Public Facilities and Resources Department.

- We expanded our risk assessment process to include discussions with executive management of County department/agencies and the CEO. Additionally, we completed the following seven IT goals: compilation of a Countywide key IT systems inventory; distribution of a comprehensive IT self-assessment questionnaire; audit of internal controls for the Auditor-Controller's laser check printing process; systems implementation review of IWMD's new fee collection/accounts receivable system; assist on IT components of the 12/31/02 Treasury Funds Audit; perform computer assisted audit techniques (CAAT's); and submitted a draft update to Auditor-Controller's CAP#34 procedure.

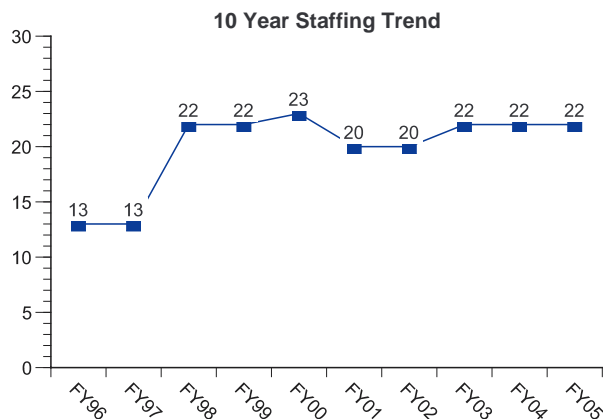
Organizational Summary



EXECUTIVE MANAGEMENT - The Executive Management/Administration team provides fiscal management, procurement and human resources, system security and technical services support, leadership, management oversight and direction to Internal Audit function.

GENERAL AUDITS - This is the core function of the department and consists of sixteen professional audit staff.

Ten Year Staffing Trend:



Ten Year Staffing Trend Highlights:

- The Internal Audit Department was established as a separate department independent of the County Auditor-Controller by Board Resolution dated April 25, 1995. Arthur Andersen L.L.P. was contracted at that time by the County to manage the Internal Audit function until a permanent director could be recruited. In 1997, a director was appointed and eight additional positions were added; in 1999 one Staff Analyst position was added; in 2000, two positions were eliminated in the Information Systems Auditing function and outsourced to consultants; additionally, two Auditor II positions were exchanged for one Senior Auditor I. In 2001, two auditor positions were added for integrated audits of specifically focused issues in the County's Comprehensive Accounting and Personnel System.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Internal Audit, through its Business Plan, is aligned with the County's strategic priorities and assists in their accomplishment.

Requested Budget Augmentations and Related Performance Results:

Unit/Amount	Description	Performance Plan	Ref. Num.
Restore Level of Service for Audit Consultant Services (FY 04-05) Amount:\$ 73,143	Restores funding for critical audit areas such as information technology and special Board requests.	To meet the commitments of the annual Audit Plan.	079-467

Proposed Budget and History:

Sources and Uses	FY 2002-2003 Actual	FY 2003-2004 Budget As of 3/31/04	FY 2003-2004 Projected ⁽¹⁾ At 6/30/04	FY 2004-2005 Recommended	Change from FY 2003-2004 Projected	
					Amount	Percent
Total Positions	-	22	22	22	0	0.00
Total Revenues	38,278	42,240	42,439	88,800	46,361	109.24
Total Requirements	1,902,058	2,202,653	2,199,973	2,301,713	101,740	4.62
Net County Cost	1,863,780	2,160,413	2,157,534	2,212,913	55,379	2.57

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2003-2004 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Internal Audit in the Appendix on page 501.

Highlights of Key Trends:

- The Internal Audit Department is adjusting its annual Audit Plan to assist County management in addressing the impact of budget reductions as a result of state defi-

cits. The County will have to modify business processes to do more with fewer resources and the role of Internal Audit in such an environment will be to ensure prudent internal control processes are maintained.

Budget Units Under Agency Control

No.	Agency Name	Executive Management	General Audits	Total
079	Internal Audit	675,997	1,625,716	2,301,713
	Total	675,997	1,625,716	2,301,713

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Summary of Proposed Budget by Revenue and Expense Category:

Revenues/Appropriations	FY 2002-2003 Actual	FY 2003-2004 Budget As of 3/31/04	FY 2003-2004 Projected ⁽¹⁾ At 6/30/04	FY 2004-2005 Recommended	Change from FY 2003-2004 Projected	
					Amount	Percent
Charges For Services	\$ 37,616	\$ 42,240	\$ 42,240	\$ 88,800	\$ 46,560	110.23%
Miscellaneous Revenues	662	0	199	0	(199)	-100.00
Total Revenues	38,278	42,240	42,439	88,800	46,361	109.24
Salaries & Benefits	1,736,592	1,880,759	2,012,417	2,015,523	3,106	0.15
Services & Supplies	275,091	485,444	325,806	386,660	60,854	18.68
Intrafund Transfers	(109,625)	(163,550)	(138,250)	(100,470)	37,780	-27.33
Total Requirements	1,902,058	2,202,653	2,199,973	2,301,713	101,740	4.62
Net County Cost	\$ 1,863,780	\$ 2,160,413	\$ 2,157,534	\$ 2,212,913	\$ 55,379	2.57%

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2003-2004 projected requirements included in "At a Glance" (Which exclude these).

Proposed Budget Summary of Executive Management:

Revenues/Appropriations	FY 2002-2003 Actual	FY 2003-2004 Budget As of 3/31/04	FY 2003-2004 Projected ⁽¹⁾ At 6/30/04	FY 2004-2005 Recommended	Change from FY 2003-2004 Projected	
					Amount	Percent
Miscellaneous Revenues	\$ 462	\$ 0	\$ 146	\$ 0	\$ (146)	-100.00%
Total Revenues	462	0	146	0	(146)	-100.00
Salaries & Benefits	586,874	578,249	639,912	598,288	(41,624)	-6.50
Services & Supplies	128,656	101,046	81,287	77,709	(3,578)	-4.40
Total Requirements	715,530	679,295	721,199	675,997	(45,202)	-6.27
Net County Cost	\$ 715,068	\$ 679,295	\$ 721,053	\$ 675,997	\$ (45,056)	-6.25%

Proposed Budget Summary of General Audits:

Revenues/Appropriations	FY 2002-2003 Actual	FY 2003-2004 Budget As of 3/31/04	FY 2003-2004 Projected ⁽¹⁾ At 6/30/04	FY 2004-2005 Recommended	Change from FY 2003-2004 Projected	
					Amount	Percent
Charges For Services	\$ 37,616	\$ 42,240	\$ 42,240	\$ 88,800	\$ 46,560	110.23%
Miscellaneous Revenues	200	0	53	0	(53)	-100.00
Total Revenues	37,816	42,240	42,293	88,800	46,507	109.96
Salaries & Benefits	1,149,718	1,302,510	1,372,505	1,417,235	44,730	3.26
Services & Supplies	146,435	384,398	244,520	308,951	64,431	26.35
Intrafund Transfers	(109,625)	(163,550)	(138,250)	(100,470)	37,780	-27.33
Total Requirements	1,186,528	1,523,358	1,478,775	1,625,716	146,941	9.94
Net County Cost	\$ 1,148,712	\$ 1,481,118	\$ 1,436,482	\$ 1,536,916	\$ 100,434	6.99%